

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 COME-00 XMB-02 EB-07 FEA-01 ERDA-05
AID-05 CEA-01 CIAE-00 EPG-02 DODE-00 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
/102 W

-----170953Z 036240 /11

R 170831Z MAY 77
FM AMEMBASSY TUNIS
TO SECSTATE WASHDC 6778

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DEPT PASS USDOC/CAGNE

E.O.11652: N/A
TAGS: BENC ENRG TS
SUBJECT: MISKAR: TUNISIAN NATURAL GAS PROJECT

REF: TUNIS 1080, TUNIS 3311

1. (BEGIN UNCLASSIFIED) (SUMMARY) RECENT CONVERSATIONS WITH
GOT OFFICIALS, LATEST ON OCCASION OF VISIT OF EXIMBANK TEAM,
CONFIRM THAT GOT VEYY LIKELY TO PROCEED WITH \$600 MILLION
MISKAR OFFSHORE GAS PROJECT. HOWEVER, SOME SLIPPAGE IN DATES IS
EVIDENT: FINAL GO/NO-GO DECISION AND TENDER ON ENGINEERING FOR
DRILLING PLATFORM NOW EXPECTED FOR JUNE-JULY 1977, WITH SELEC-
TION OF ENGINEERING FIRMS SOMEWHAT LATER IN SUMMER AND TENDERS
ON BALANCE OF EQUIPMENT FOR LATE THIS YEAR OR EARLY 1978. GOT
SEEKING LONGEST POSSIBLE FINANCING TERMS FOR PROJECT. EXIMBANK
REPRESENTATIVES HAVE SUGGESTED THAT EXIM WOULD CONSIDER TEN YEARS
FROM START-UP AND RECOMMENDED GOT REQUEST PRELIMINARY COMMIT-
MENT. POSSIBLE CONSTRUCTION OF ALGERIA TO ITALY GAS PIPELINE,
IF IT EVENTUATES, APPEARS NOT LIKELY TO AFFECT MORE THAN SHORT
RANGE TIMING OF MISKAR PROJECT. (END SUMMARY).

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2. TUNISIAN POWER AND GAS COMPANY (STEG) PRESIDENT SAKOK
BAHROUN, IN CONVERSATIONS MAY 9 WITH EXIMBANK OFFICERS AND
E/C COUNSELOR, SAID FINAL GOT DECISION ON WHETHER TO PROCEED
WITH DEVELOPMENT OF MISKAR OFFSHORE NATURAL GAS FIELD WILL COME
NEXT MONTH. ASSUMING--AS DOES BAHROUN--OHAT DECISION IS AVOR-
ABLE, TENDER FOR ENGINEERING OF DRILLING PLATFORM SHOULD FOLLOW

IMMEDIATELY, WITH INVITATIONS TO TENDER ON OTHER ENGINEERING IN JULY-AUGUST. TENDERS ON BALANCE OF PROJECT--BROKEN DOWN INTO TWO OR MORE PHASES (ONSHORE, OFFSHORE)--TO FOLLOW LATE IN YEAR OR IN EARLY 1978. (EARLIER ACTION IN DRILLING PLATFORMS SEEN AS NECESSARY TO PUT PROJECT ON STREAM NEAR 1980 TARGET DATE.)

3. BAHROUN AND HIS ASSISTANT FOR GAS PROJECT, KAMEL REKIK, TOLD EXIM VICE-PRESIDENT CLAYTON NORRIS AND LOAN OFFICER LOUIS GUADAGNOLI AND E/C COUNSELOR THAT STEG EXPECTED TO TENDER FOR ONSHORE PIPELINE, WITH NEW MIXED GOT-FRENCH ENTITY TENDERING FOR BALANCE OF PROJECT: I.E., PRODUCTION FACILITIES, PIPE-LINE TO SHORE (ABOUT \$100 MILLION - PERHAPS DIVIDED INTO SEPARATE TENDERS FOR PIPE AND PIPE LAYING), AND GAS TREATMENT PLANT (ABOUT \$100 MILLION).

6. BAHROUN AND REKIK REPEATEDLY STRESSED IMPORTANCE OF LONGEST POSSIBLE FINANCING TERMS FOR PROJECT, WHICH WILL BE DESIGNED TO MEET TUNISIAN DOMESTIC NEEDS - MAINLY INDUSTRIAL AND YET TO BE DEVELOPED - OVER FIFTEEN YEAR PERIOD AT LOWEST FEASIBLE PRICE PER BTU. REKIK SAID PROJECT WOULD NEED FINANCING OVER AT LEAST 10 YEARS FROM START UP.

5. WHILE POINTING OUT EXIM'S LIMITED FLEXIBILITY BECAUSE IT IS SELF-SUSTAINING--AND BECAUSE USG POLICY REJECTS COMPETITION FOR SALES THROUGH EXCESSIVELY LONG TERMS -- NORRIS EMPHASIZED THAT MISKAR IS SORT OF PROJECT IN WHICH EXIM COULD PLAY MAJOR ROLE, ESPECIALLY IN LIGHT OF PROJECT SIZE AND HIGHLY COMPETITIVE US TECHNOLOGY IN THIS SECTOR. DEPENDING, AMONG OTHER THINGS, ON CASH FLOW PROJECTIONS, FINANCIAL TERMS OF TEN YEARS FROM LIMITED OFFICIAL USE

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START UP MIGHT BE POSSIBLE. NORRIS ENCOURAGED STEG TO PUT PRELIMINARY PROJECT INFORMATION AT DISPOSITION OF EXIM AND SUGGESTED STEG AND NEW ENTITY (OR STEG ACTING ON BEHALF OF BOTH ITSELF AND FUTURE ENTITY) CONSIDER REQUESTING PRELIMINARY COMMITMENT FROM EXIM AS SOON AS INTERNATIONAL TENDERS ARE ISSUED FOR VARIOUS PHASES--ON ASSUMPTION THAT AWARDS WOULD BE MADE WITHIN 90 TO 270 DAYS.

6. HIGH OFFICIALS OF MINISTRIES OF PLAN AND FINANCE, AS WELL AS STEG, EXPRESSED HOPE USG AGENCIES WOULD DO ALL POSSIBLE TO ENCOURAGE AMERICAN BIDDERS ON TENDERS FOR EACH PHASE TO ASSURE COMPETITIVE PRICES, FULLEST US PARTICIPATION IN PROJECT AND UTILIZATION OF EXIM CREDITS. THEY EMPHASIZED GOT WILL CHOOSE SUPPLIERS ON BASIS OF QUALITY, PRICE AND TERMS--NOT ALLOCATING ARBITRARY SHARES OF PROJECT TO SUPPLIERS ON A COUNTRY BASIS. BAHROUN NOTED THAT WILLIAMS BROTHERS OF TULSA ALREADY HAS DONE WORK ON MISKAR AND NOW IS PREPARING AN INDEPENDENT ASSESSMENT OF GAS RESERVES FOR USE BY GOT AND LATER BY LENDING INSTITUTIONS.

7. BAHROUN AND REKIK OF STEG SAID GOT HAS BEEN ENCOURAGED TO BELIEVE THAT IBRD LIKLY TO TAKE A ROLE IN FINANCING OF MISKAR AND, IN THIS CONNECTION, IBRD GROUP TO ARRIVE IN TUNISIA IN EARLY JUNE FOR INFORMAL "PREEVALUATION" VISIT. (GROUP EXPECTED TO INCLUDE ONE OR MORE OF MESSRS. ROUANI, FRIEDMAN AND BOURCIER FROM BANK'S NEW HYDROCARBONS DEPARTMENT). BEKIK INSISTED UPON MISKAR'S ALREADY DEMONSTRABLE FEASIBILITY USING PRICE OF ALTERNATIVE FUEL OIL, ON EQUIVALENT BTU BASIS, AS CRITERION FOR MEASURING COMPETITIVE COST OF GAS. HE ALSO STRESSED VITAL ROLE OF NATURAL GAS FOR OTHER MAJ PROJECTS UNDER FIFTH PLAN SUCH AS (A) PHSE TWO (AMMONIAC PRODUCTION) OF SEPA CHEMICAL PLANT, (B) METHANOL PLANT AND (C) IRON SPONGE PLANT. (END UNCLASSIFIED).

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ACTION NEA-10

INFO OCT-01 ISO-00 XMB-02 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 EB-07 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
/102 W

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R 170831Z MAY 77
FM AMEMBASSY TUNIS
TO SECSTATE WASHDC 6779

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8. (BEGIN LIMITED OFFICIAL USE) MESTIRI OF PLAN ALSO EMPHASIZED THAT ADEQUATE RESERVES ALREADY PROVEN TO MAKE MISKAR PROJECT FEASIBLE. DIRECTOR GENERAL SFAR OF FINANCE TOOK SAME POSITION, BUT SAID FURTHER EVALUATIONS OF RESULTS FROM FOURTH TEST WELL WILL HELP "PERFECT" PROJECT AND "AFFECT ITS PRIORITY" WITHIN PLAN. LOCAL REPRESENTATIVE OF FRENCH INTERESTS (ELF-AQUITAINE) HAS EXPRESSED A SIMILAR CAUTIOUSLY FAVORABLE VIEW TO US. MESTIRI ALSO TOLD US THAT, IF AGREEMENT SHOULD BE REACHED WITH ITALY TO PROCEED WITH ALGERIA TO SICILY PIPELINE THIS WOULD HAVE NO EFFECT ON DECISION TO PROCEED WITH MISKAR. (NOTE: WE BELIEVE IBRD MISSION CAN BE VALUABLE IN ANSWERING REMAINING QUESTIONS REGARDING MISKAR PROJECT, WHICH STILL IS SUBJECT TO SOME DISSENTING VIEWS WITHIN GOT.) (END LIMITED OFFICIAL USE).

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATURAL GAS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Sent Date: 17-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TUNIS03408
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770174-0929
Format: TEL
From: TUNIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770546/aaaabodd.tel
Line Count: 171
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ce136e91-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 TUNIS 1080, 77 TUNIS 3311
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2479332
Secure: OPEN
Status: NATIVE
Subject: MISKAR: TUNISIAN NATURAL GAS PROJECT
TAGS: BENC, ENRG, TS
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/ce136e91-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009